LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

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FISCAL IMPACT STATEMENT

LS 7877
BILL NUMBER: SB 499

NOTE PREPARED: Jan 24, 2003
BILL AMENDED:

SUBJECT: Sales Tax Increment Funding for Tourism.

FIRST AUTHOR: Sen. Simpson
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X **GENERAL**
X **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill establishes the Tourism Supplemental Revenue Fund to be administered by the Department of Commerce. The bill provides that money in the Fund may be used by the Department of Commerce for the promotion and development of tourism in Indiana. The bill requires the Department of State Revenue (DOR) to require retail merchants to report on all state Gross Retail and Use Tax returns filed after June 30, 2003, and before January 1, 2016, an industry code listed in the North American Industry Classification System Manual to allow the Department to classify certain merchants as tourism related merchants. The bill for all calendar years beginning after December 31, 2004, and ending before January 1, 2016, requires the Auditor of State to transfer from those funds receiving state Gross Retail and Use Tax collections to the Tourism Supplemental Revenue Fund, an amount equal to the lesser of:

(1) 10% of the difference between the state Gross Retail and Use Taxes collected from tourism related merchants in the previous calendar year, minus those taxes collected from tourism related merchants in the calendar year ending December 31, 2003; or

(2) the amount deposited in the Tourism Supplemental Fund in the immediately preceding calendar year plus $3,000,000.

Effective Date: Upon passage; July 1, 2003.

Explanation of State Expenditures: *Department of State Revenue:* This bill will require the Department to develop rules and procedures related to classifying firms that are engaged in certain tourism related industries and yearly calculate the Sales Tax remittances made by these firms. While this provision will increase the Department's administrative costs, it is presumed that the Department could cover any additional costs using existing staff and resources.

Department of Commerce: This bill creates the Indiana Supplemental Tourism Fund. The Fund will be administered by the Department of Commerce. Money in the fund will be used to provide money to the Tourism Information and Promotion Fund and the Tourism Marketing Fund for tourism related projects and initiatives. The bill provides that any costs associated with administrating the Fund will be paid by the Fund.

Explanation of State Revenues: *Sales Tax Revenue:* This bill will shift a portion of the state Sales Tax revenue collected from retail sales made by certain tourism related firms from the current funds which receive Sales Tax revenue to the Indiana Supplemental Tourism Fund. Under this bill, the DOR would identify the CY 2003 Sales Tax collections from tourism related firms in order to establish a base year of Sales Tax collections. Beginning in 2005, the Auditor would, before February 15, annually transfer to the Fund an amount equal to the lesser of: (1) 10% of the difference between the Sales Tax collected from tourism related merchants in the previous calendar year, minus collections made in the base year or (2) the amount deposited in the Tourism Supplemental Fund in the immediately preceding calendar year plus $3,000,000. The provision expires after CY 2015.

The Indiana Supplemental Tourism Fund distribution would be deducted from the five funds that receive state Sales Tax revenue. Based on adjusted Department of State Revenue Data, the total amount deducted from the five funds that currently receive Sales Tax revenue is expected to be between $2.3 M and $5.7 M each year.

The bill specifics that the deductions must be made from each of these funds in the same proportion in which the funds receive Sales Tax revenue. Revenue from the state's 6% Sales Tax revenue is deposited in the Property Tax Replacement Fund (50%), the State General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Loan Fund (0.033%).

It should be noted that the precise impact of this proposal will depend on the actual base of the specified tourism related firms and the growth rate of the state's tourism sector.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue; Department of Commerce; State Auditor.

Local Agencies Affected: Local governmental entities.

Information Sources: Department of State Revenue.

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